HOUSING MARKET INFORMATION

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CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: September 2010

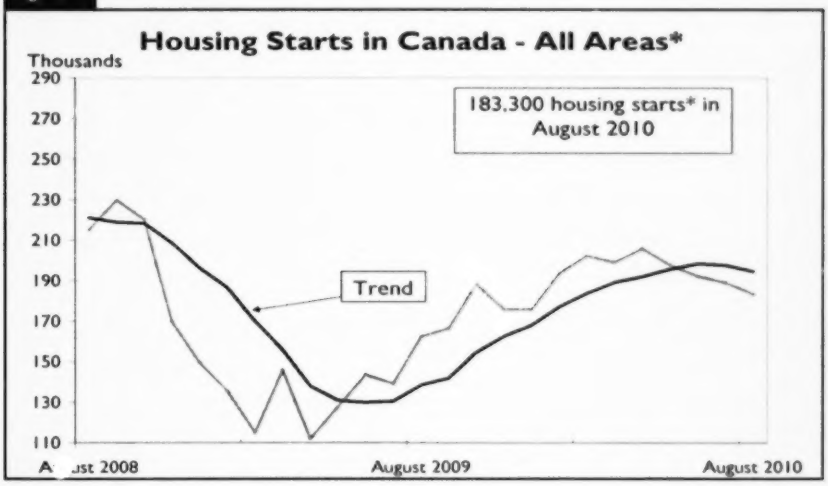
Canadian Market Overview

New Home Market

Housing starts decreased in August

The seasonally adjusted annual rate[1] of housing starts was 183,300 units in August, down 3.0 per cent from 188,900 units in July. This movement reflects a decrease in both single and multiple starts. The decrease in housing starts is consistent with our forecast that housing starts for 2010 will reach about 185,000 units.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this release, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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HOME TO CANADIANS

Both single and multiple starts moved down in August

The seasonally adjusted annual rate of urban starts decreased by 3.7 per cent to 162,800 units in August. Urban multiple starts decreased by 3.7 per cent to 97,800 units, while single urban starts decreased by 3.6 per cent to 65,000 units.

Urban starts increased in British Columbia and Ontario during August

August's seasonally adjusted annual rate of urban starts increased 26.4 per cent in British Columbia and 15.6 per cent in Ontario. Reductions in urban starts were seen in Atlantic Canada (-29.0 per cent), in the Prairies (-19.9 per cent) and in Quebec (-17.7 per cent).

Rural starts were estimated at a seasonally adjusted annual rate of 20,500 units in August.

Year-to-date actual starts up compared to 2009

On a year-to-date basis (to August 2010), actual total housing starts in urban areas have increased by an estimated 43.3 per cent compared to the same period in 2009. Actual urban single starts for the first eight months of 2010 were up 51.4 per cent while urban multiple starts were 36.9 per cent higher than the same period of last year.

Year-to-date actual starts in rural and urban areas combined increased by an estimated 42.9 per cent compared to the first eight months of 2009.

New Housing Price Index decreases in July

According to Statistics Canada, the New Housing Price Index (NHPI) decreased 0.1 per cent in July following a 0.1 per cent increase in June. This was the first decrease in Canada over the last 13 months. On a year-over-year basis, the NHPI was up 2.9 per cent in July after a 3.3 per cent year-over-year increase in June.

In July 2010, new home prices increased in 18 out of 21 centres on a year-over-year basis. The largest year-over-year increases in the NHPI were in Regina (6.9 per cent), St. John's (6.1 per cent), and Winnipeg (5.0 per cent). The centres registering declines were Charlottetown (-2.1 per cent), Windsor (-2.0 per cent), and Greater Sudbury and Thunder Bay (-1.7 per cent).

Existing Home Market

MLS®[1] sales rise in August

The seasonally adjusted annual rate of MLS®[1] (Multiple Listing Service®) sales rose 4.1 per cent to 393,684 units in August, compared to 378,252 units in July.

For the first eight months of 2010, actual MLS® sales were up 2.2 per cent compared to the same period in 2009.

MLS® new listings rise in August

The seasonally adjusted annual rate of MLS® new listings in August moved up by 1.9 per cent to 802,872 units, compared to 788,088 units in July. Actual new listings for the first eight months of 2010 were up by 11.1 per cent compared to the same period last year.

Sales-to-new-listings ratio[2] moves up in August

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The seasonally adjusted sales-to-new-listings ratio for Canada was 49.0 per cent in August, up from July's 48.0 per cent. Overall, balanced market conditions continue to characterize Canada's housing sector.

The August seasonally adjusted average MLS® price in Canada

[1]Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association

[2]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new- listings ratio is between these thresholds, the market is said to be balanced.

rose 0.4 per cent to $332,216 compared to $330,869 in July. The unadjusted MLS® average price was up marginally in August to $324,928 from $324,843 a year ago.

Economic conditions

According to Statistics Canada, employment grew by 36,000 in August. Meanwhile, the unemployment rate moved up 0.1 percentage points to 8.1 per cent as more Canadians entered the labour market. When compared to August 2009, full-time employment has increased by 294,000 positions. With respect to part-time employment, an increase of 102,300 positions has been experienced over the same time frame. On a month-to-month basis, full time employment increased by 79,900 between July and August, while part-time employment decreased by 44,100 positions over the same time frame.

With respect to the provinces, British Columbia's employment was up 5,400 in August. Full-time positions were up by 23,300 while part-time work fell by 17,900.

Employment in Alberta decreased in August by 4,700. This decrease was comprised of a 10,900 increase in full-time positions, coupled with a 15,600 decrease in part-time positions.

Moving into Saskatchewan, employment rose by 5,400 in August, pushing the unemployment rate down 0.3 percentage points to 4.8 per cent, the lowest in the country. Employment gains since July 2009 have totalled 13,000 (+2.4 per cent).

With respect to Manitoba, employment changes were minimal, up 1,000 in August. Full-time employment was up by 2,600 while part-time was down 1.6 per cent.

Employment in Ontario was up by 6,300, however, this was due largely to part-time positions, which were up 13.0 per cent in August. Full-time employment was down 6.6 per cent.

Statistics Canada notes that in Quebec, notable gains in employment occurred. The province posted increases in employment of 19,300 in August; 39,200 were full-time while part-time positions fell by 19,900. The unemployment rate remained unchanged at 8.2 per cent, as more people entered the labour force. Since July 2009, employment growth of 3.0 per cent (+115,000) in this province has been above the national average of 2.6 per cent.

Finally, the Atlantic provinces saw minimal change in employment levels during August; New Brunswick was up 1,700, Nova Scotia was down by about 2,600, PEI was up by 200, and Newfoundland and Labrador was up by about 3,400. Full-time employment was up by 1,100 in New Brunswick, down by 700 in Nova Scotia, up by 800 in PEI, and up by 4,600 in Newfoundland and Labrador. With respect to part-time employment, it was up by about 600 in New Brunswick, down by 1,900 in Nova Scotia, down by 600 in PEI, and down by 1,200 in Newfoundland and Labrador.

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

With respect to consumer prices, Statistics Canada writes that Consumer prices rose 1.7 per cent in the 12 months to August, following a 12 month 1.8 per cent increase in July. Overall, energy prices rose 5.0 per cent between August 2009 and August 2010, following a 7.9 per cent increase during the 12-month period to July. Excluding energy, the Consumer Price Index (CPI) was up 1.4 per cent in August. Within the energy price index, prices for electricity rose 7.7 per cent in August compared with the same month a year earlier. Higher consumer prices were also recorded in August for homeowner's replacement costs (5.5 per cent), passenger vehicle insurance premiums (5.1 per cent) and food purchased from restaurants (2.5 per cent). Finally, the agency notes that on a seasonally adjusted monthly basis, consumer prices rose 0.1 per cent in August, following a 0.6 per cent increase in July. The food index was up 0.3 per cent, while the health and personal care index rose 0.7 per cent. The transportation index fell 0.3 per cent.

On September 8, the Bank of Canada increased the Target for the Overnight Rate from 0.75 per cent to 1.00 per cent. This is the third 25 basis point increase since April 2010, when the rate was at a historical low of 0.25 per cent. With respect to the latest rate increase, the Bank noted that the global economic recovery is occurring, but continues to be uneven across countries. The Bank expects that economic recovery will be slightly more gradual than it projected in its July Monetary Policy Report. This latest decision to raise rates still leaves considerable monetary stimulus in place (rates remain near historic lows) and the Bank believes that its inflation target of around two per cent will be achievable. ■

Residential Mortgage Credit Grows in the Second Quarter of 2010

Residential mortgage credit increased by 6.6 per cent in the second quarter of 2010, compared to the second quarter of 2009, to reach about $986.0 billion.

Despite some small increases in interest rates, continuing low mortgage rates and an improving economy led to positive growth in residential mortgage credit in the second quarter of 2010.

Short and medium-term fixed mortgage rates remain near historical lows, which is helping to support Canada's housing sector. Rates are expected to continue to rise the course of 2010, however.

Actual MLS® sales moderated 2.8 per cent during the second quarter of 2010, when compared to the same quarter in 2009. The actual average MLS® price was up 8.2 per cent over the same time frame. With respect to the actual dollar volume of existing home sales, it was up 5.2 per cent between the second quarter of 2009 and the second quarter of 2010.

Actual urban housing starts in Canada increased by 54.5 per cent in the second quarter of 2010 compared to the same quarter of 2009.

Figure 3

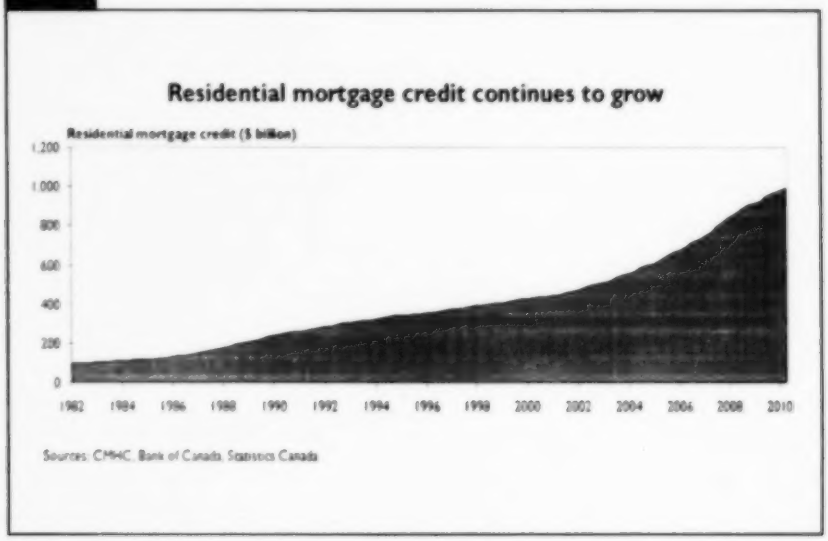
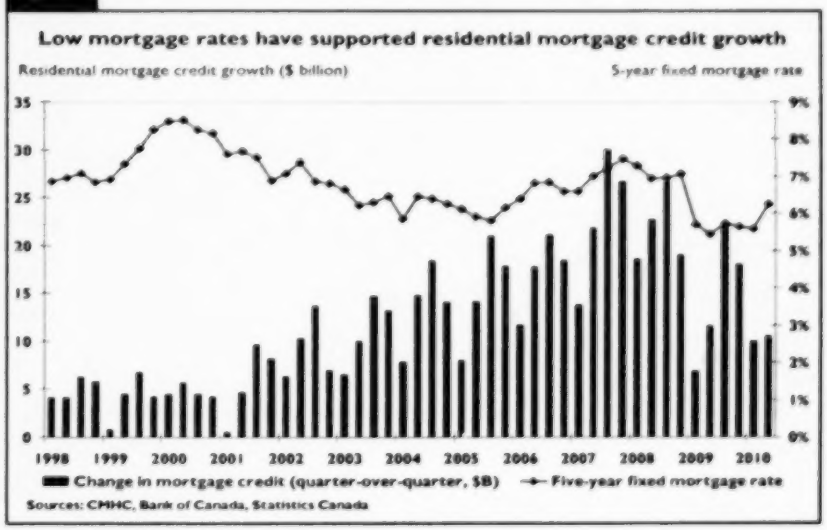


Figure 4



Renovation spending has also helped to buoy mortgage credit. This has been due to low interest rates, the Home Renovation Tax Credit, and an improving economy. Overall for 2009, renovation spending, which consists of alterations and improvements and repairs and maintenance, was up 2.7 per cent over 2008.

Market shares constant

Chartered banks accounted for 71.7 per cent of the residential mortgage loans outstanding in the second quarter of 2010, up from 70.5 per cent in the second quarter of 2009. After growing throughout the 1980s and 1990s, the chartered banks share of residential mortgage loans has stabilized over the past 10 years, remaining in the 70 to 72 per cent range.

Credit unions accounted for the second highest proportion of residential mortgage loans in the second quarter of 2010 with 18.0 per cent. This is down from the 18.5 per cent share recorded in the second quarter of 2009. The share of residential loans held by trusts, life insurance companies and pension funds was relatively unchanged from the same period in 2009. ■

Share of the stock of residential mortgage credit by institution type (%) *

	2Q09	3Q09	4Q09	1Q10	2Q10
Banks	70.5	70.9	71.0	71.4	71.7
Trusts	1.6	1.6	1.6	1.6	1.6
Caisse & Cr. Unions	18.5	18.4	18.4	18.1	18.0
Life Ins. Co.	2.5	2.4	2.3	2.2	2.2
Pension Funds	2.5	2.4	2.4	2.3	2.3
Others **	4.4	4.4	4.3	4.3	4.2

* Excludes Special Purpose Vehicles and NHA MBS
** Includes non-depository credit intermediaries

Source: CMHC, Bank of Canada, Statistics Canada.

Indicators Of Mortgage Lending Activity

Mortgage credit outstanding ($millions)*

	2008	2009	2Q09	3Q09	4Q09	1Q10	2Q10
TOTAL	871,072	936,025	925,197	947,522	965,539	975,561	986,051
% change (year-over-year)	12.4	7.5	7.4	6.7	6.5	6.8	6.6
Banks	471,868	452,896	443,319	458,124	465,347	474,517	483,609
Trusts	9,869	10,294	10,077	10,420	10,763	10,771	10,787
Caisse & Cr. Unions	110,828	117,558	116,500	118,703	120,281	120,309	121,273
Life Ins. Co.	15,356	15,324	15,515	15,228	14,969	14,649	14,512
Pension Funds	15,393	15,748	15,845	15,546	15,591	15,589	15,490
Others **	30,652	28,164	27,741	28,357	28,451	28,455	28,396
Special Purpose Vehicles	22,356	16,561	17,462	15,636	14,133	13,455	12,938
NHA MBS ***	197,260	281,433	278,738	285,509	296,004	297,815	299,046

* Average for the period, unadjusted

** Includes non-depository credit intermediaries

*** CMHC

NHA and Conventional Mortgage Loans Approved*

		2008	2009	4Q08	1Q09	2Q09	3Q09	4Q09
By Type of Lender								
Banks	$ millions	160,842	181,226	33,769	35,987	55,409	48,389	41,441
	Units	869,995	965,501	181,901	206,850	294,812	250,506	213,333
Others	$ millions	54,799	63,206	10,133	13,706	19,966	16,255	13,279
	Units	353,732	384,813	67,648	90,405	119,149	95,953	79,306
TOTAL	$ millions	215,641	244,432	43,902	49,693	75,375	64,644	54,720
	Units	1,223,727	1,350,314	249,549	297,255	413,961	346,459	292,639

*** Mortgage approval data are gross and may not fully capture lending activities of credit unions, caisses populaires, other smaller institutions and privately-insured loans in some areas.**

Source: CMHC NHA loan approval system and Conventional Lending Survey

This Month's Housing Data (SAAR)

Housing starts, units, 000s

	2009	Q4:09	Q1:10	Q2:10	M6:10	M7:10	M8:10
Canada. Total. All areas	**149.1**	**178.4**	**192.9**	**202.4**	**192.0**	**188.9**	**183.3**
Per cent change from previous period	-29.4	15.1	8.1	4.9	-2.8	-1.6	-3.0
Canada. Total. Rural areas	**18.7**	**21.6**	**23.1**	**26.3**	**26.3**	**19.9**	**20.5**
Per cent change from previous period	-21.0	20.0	6.9	13.9	-5.7	-24.3	3.0
Canada. Total. Urban areas	**130.4**	**156.8**	**169.8**	**176.1**	**165.7**	**169.0**	**162.8**
Per cent change from previous period	-30.4	14.5	8.3	3.7	-2.4	2.0	-3.7
Canada. Single. Urban areas	**60.5**	**79.0**	**86.3**	**81.4**	**76.4**	**67.4**	**65.0**
Per cent change from previous period	-18.7	25.0	9.2	-5.7	0.3	-11.8	-3.6
Canada. Multiple. Urban areas	**69.8**	**77.8**	**83.5**	**94.7**	**89.3**	**101.6**	**97.8**
Per cent change from previous period	-38.2	5.4	7.3	13.4	-4.5	13.8	-3.7
Newfoundland. Total. All areas	**3.1**	**3.6**	**5.4**	**4.2**	**4.5**	**3.3**	**3.3**
Per cent change from previous period	-6.3	24.1	50.0	-22.2	2.3	-26.7	0.0
Prince Edward Island. Total. All areas	**0.9**	**1.2**	**0.5**	**1.0**	**1.0**	**0.8**	**1.0**
Per cent change from previous period	23.2	50.0	-58.3	100.0	-33.3	-20.0	25.0
Nova Scotia. Total. All areas	**3.4**	**3.5**	**4.4**	**4.4**	**3.2**	**5.8**	**2.8**
Per cent change from previous period	-13.7	-22.2	25.7	0.0	-46.7	81.3	-51.7
New Brunswick. Total. All areas	**3.5**	**3.6**	**4.5**	**3.6**	**4.7**	**6.1**	**5.0**
Per cent change from previous period	-17.6	5.9	25.0	-20.0	6.8	29.8	-18.0
Quebec. Total. All areas	**43.4**	**46.8**	**52.5**	**54.9**	**54.0**	**52.4**	**44.3**
Per cent change from previous period	-9.4	0.6	12.2	4.6	8.2	-3.0	-15.5
Ontario. Total. All areas	**50.4**	**60.2**	**59.7**	**64.9**	**56.5**	**53.6**	**62.0**
Per cent change from previous period	-32.9	23.1	-0.8	8.7	-14.9	-5.1	15.7
Manitoba. Total. All areas	**4.2**	**4.1**	**5.1**	**5.8**	**8.1**	**9.7**	**5.8**
Per cent change from previous period	-24.6	-18.0	24.4	13.7	62.0	19.8	-40.2
Saskatchewan. Total. All areas	**3.9**	**5.3**	**5.1**	**5.1**	**6.2**	**5.3**	**7.2**
Per cent change from previous period	-43.4	15.2	-3.8	0.0	40.9	-14.5	35.8
Alberta. Total. All areas	**20.3**	**28.8**	**28.5**	**32.0**	**26.9**	**29.1**	**23.8**
Per cent change from previous period	-30.4	33.3	-1.0	12.3	-9.1	8.2	-18.2
British Columbia. Total. All areas	**16.1**	**21.3**	**27.2**	**26.5**	**26.9**	**22.8**	**28.1**
Per cent change from previous period	-53.2	26.8	27.7	-2.6	3.5	-15.2	23.2

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2009	Q4:09	Q1:10	Q2:10	M6:10	M7:10	M8:10
Canada. Total. Urban areas	130.4	156.8	169.8	176.1	165.7	169.0	162.8
Newfoundland. Total. Urban areas	2.0	2.2	2.6	2.6	2.5	1.7	1.8
Prince Edward Island. Total. Urban areas	0.7	1.0	0.4	0.8	0.8	0.6	0.8
Nova Scotia. Total. Urban areas	2.8	2.8	3.8	3.4	2.2	5.2	2.2
New Brunswick. Total. Urban areas	2.6	2.7	3.1	2.7	3.5	4.9	4.0
Quebec. Total. Urban areas	37.0	39.2	46.1	46.5	46.6	46.4	38.2
Ontario. Total. Urban areas	47.9	57.4	56.6	61.4	52.9	51.4	59.4
Manitoba. Total. Urban areas	2.8	2.7	3.5	3.7	5.6	8.4	4.0
Saskatchewan. Total. Urban areas	2.9	4.1	4.1	3.9	4.6	4.1	6.1
Alberta. Total. Urban areas	17.7	26.4	25.4	27.8	23.6	26.2	20.9
British Columbia. Total. Urban areas	13.8	18.3	24.2	23.3	23.4	20.1	25.4

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized

This Month's Major Housing Indicators

	2009	Q4:09	Q1:10	Q2:10	M6:10	M7:10	M8:10
New Housing							
New & unoccupied singles & semis, units 000s	7.4	5.7	5.3	5.4	5.2	4.9	5.0
Per cent change from same period previous year	-1.9	-32.8	-40.2	-36.3	-34.4	-34.8	-23.5
New & unoccupied row & apartments, units 000s	12.3	12.9	13.5	13.4	13.9	13.9	13.8
Per cent change from same period previous year	29.4	22.1	19.9	11.7	11.8	8.2	6.1
New House Price Index, 1997=100	154.6	155.4	156.8	157.9	158.2	158.0	n.a.
Per cent change from same period previous year	-2.3	-1.5	0.9	2.9	3.3	2.9	n.a.
Existing Housing							
MLS® resales*, units 000s	465.3	538.7	518.6	449.9	406.0	378.3	393.7
Per cent change from same period previous year	7.7	57.9	46.2	-2.3	-18.3	-25.0	-22.5
MLS® average resale price, 000s**	320.3	341.6	342.0	339.3	332.5	330.9	332.2
Per cent change from same period previous year	5.0	19.9	19.3	9.0	5.2	1.8	0.6
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	4.02	3.67	3.60	3.70	3.60	3.50	3.30
Posted 5-Year Mortgage Rate, % (period average)	5.63	5.64	5.58	6.04	5.89	5.79	5.39

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
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